

# Securing the U.S. Position in the Pacific: Congress Should Renew and Fund the Compacts of Free Association (COFA)

## THE ISSUE

With China's reach expanding into the Pacific, the U.S. must shore up its regional alliances. Congress faces a once-every-two-decades opportunity to secure America's advantageous position in a key corner of the Pacific for another generation. The Compacts of Free Association (COFA) are unique, bilateral treaties between the U.S. and three sovereign Pacific Island states strategically located in the Second Island Chain, between Hawaii and the First Island Chain that stretches from Japan to Singapore.

The Compacts govern America's unique and privileged defense, economic, and diplomatic relations with the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau—collectively known as the Freely Associated States (FAS). Renewing and funding the Compacts should be an urgent priority for Congress as China and the U.S. enter the New Cold War.

COFA provisions with Micronesia and the Marshall Islands expire on September 30, 2023, while provisions with Palau expire on September 30, 2024. In May 2023, the U.S. government and Palau signed an agreement laying the groundwork for a renewed COFA. The same month, the U.S. and Micronesia signed three COFA-related agreements. COFA negotiations with the Marshall Islands are ongoing. Now, Congress must act. Failure to renew and fund the COFA agreements could result in the loss of exclusive U.S. military access to three strategic Pacific Island allies and open the door for China to expand its reach into a critical region even further.

## FUNDING

In June, the Biden Administration submitted a legislative proposal, the Compact of Free Association Amendments Act of 2023, to Congress. It requests \$7.1 billion in mandatory funds over 20 years to support the Compacts. This equates to roughly \$110 million per year for each of the three states. Of the \$7.1 billion, around \$600 million is allocated for the U.S. Postal Service to provide postal operations throughout the FAS. The total funding request for all three countries for 20 years is less than one-tenth of the U.S. assistance authorized for Ukraine since February 2022.

## STRATEGIC SIGNIFICANCE

- The Compacts are strategically significant for:
- **Defense exclusivity.** The Compacts grant the U.S. full authority over FAS defense matters, allowing the U.S. to conduct military exercises and station military personnel at will.
  - **Strategic denial rights.** The Compacts grant the U.S. strategic denial rights. Military forces and personnel of any other state may enter FAS territory only with explicit U.S. authorization.
  - **Economic and program assistance.** In return, the FAS receive economic aid and access to U.S. federal programs. Annual grant assistance covers educational, health, private-sector, public-sector, and environmental systems.
  - **Geographic relevance.** The FAS lie within the Micronesia subregion of Oceania, which

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includes Guam and the Northern Mariana Islands—two U.S. territories. The FAS can serve as important staging grounds for U.S. Armed Forces to conduct military operations and store material for potential military contingencies in the Indo-Pacific.

- **Changing security environment.** In 2022, China and the Solomon Islands signed a security agreement that allows the Solomon Islands to request the deployment of Chinese military personnel during loosely defined civil unrest. The Compacts contribute to a broader, U.S.-led regional security architecture in the Pacific that can counter Chinese actions and ambitions.
- **Malign Chinese influence.** Recent Chinese efforts to isolate Taiwan have been successful; the Solomon Islands and Kiribati switched diplomatic relations to China in 2019. The Marshall Islands and Palau may face even stronger Chinese influence operations aimed at compelling them to end diplomatic recognition of Taiwan. Without the Compacts, the FAS have few domestic policing vessels to respond to Chinese encroachments.

#### LEGISLATIVE VEHICLES

Congress has four primary options for renewing and funding the Compacts:

- **Joint resolution.** Congress can authorize and fund all three Compacts in one legislative vehicle. This is the most expedient, least complicated, and surest option.
- **Stand-alone bills.** Congress can pass a stand-alone bill or bills through regular House and Senate order. Should a joint resolution not be feasible, a stand-alone bill is likely the best alternative.
- **Including text in a larger vehicle.** Congress can include the COFA texts in larger legislative vehicles, such as the National Defense Authorization Act or a future omnibus bill. However, with a September 30, 2023, deadline, this may not be a good option.

- **Interim appropriations.** Congress can provide interim funding to partially maintain the Compacts. This option should be a last resort because it makes the Compacts reliant on annual, non-guaranteed funding and could damage U.S. credibility with its Pacific Island partners.

#### RECOMMENDATIONS FOR THE U.S. AND COFA STATES

- **Congress should renew and fully fund the COFA agreements with Micronesia and Palau by September 30, 2023.** This renewal will secure two Compacts for 20 more years and cement America's privileged position in a vital region of the Pacific.
- **The U.S. and the Marshall Islands should continue negotiations to formulate, sign, and fund a renewed Compact by September 30, 2023.** Despite an ongoing dispute on the topline figure and certain provisions, the U.S. and the Marshall Islands both have strong interests in renewing their COFA agreement.
- **The U.S. should explore the possibility of new Compacts or defense cooperation agreements (DCAs) in the region.** The Compacts have proven strategically valuable for securing U.S. interests at an acceptable cost. With China making inroads into the Pacific Islands, new Compacts or DCAs with Pacific Island states would give the U.S. more military flexibility to respond to Chinese activities and influence in the region. Kiribati, Nauru, and Tuvalu are possible candidates.
- **The U.S. President should tour the Freely Associated States.** Despite U.S. defense commitments, no U.S. President has visited the FAS. Considering that President Joe Biden's planned trip to Papua New Guinea in 2023 was cancelled, he, or a future President, should schedule a new trip that includes a tour of the FAS. Top U.S. officials, including the Secretary of State, should plan regular visits to the region.